

SENATE BILL 807

Unofficial Copy
C4

2002 Regular Session
(2lr2733)

ENROLLED BILL
-- Finance/Economic Matters --

Introduced by **Senator DeGrange**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this
____ day of _____ at _____ o'clock, ____ M.

President.

CHAPTER _____

1 AN ACT concerning

2 **Homeowner's Homeowner's Insurance - ~~Perpetual Policies~~ Risks and Classes**
3 **of Risks - Cancellation**

4 FOR the purpose of ~~prohibiting an insurer from canceling a~~ authorizing an insurer to
5 cancel a certain policy of homeowner's insurance under certain circumstances;
6 and generally relating to the cancellation of a policy of homeowner's insurance.
7 ~~perpetual certain insurance risk or class of risk if the provisions of the policy of~~
8 ~~homeowner's insurance because of a claim that occurred before a certain time;~~
9 ~~and generally relating to the cancellation of perpetual policies of homeowner's~~
10 ~~insurance require a one-time deposit for a stated amount of coverage except~~
11 ~~under certain circumstances.~~

12 ~~BY~~ repealing and reenacting, with amendments,
13 Article Insurance
14 Section 27-501(d)(2)
15 Annotated Code of Maryland
16 (1997 Volume and 2001 Supplement)

1 BY adding to
 2 Article - Insurance
 3 Section 27-501(a)(3)
 4 Annotated Code of Maryland
 5 (1997 Volume and 2001 Supplement)

6 BY repealing and reenacting, with amendments,
 7 Article - Insurance
 8 Section 27-501(d)
 9 Annotated Code of Maryland
 10 (1997 Volume and 2001 Supplement)

11 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
 12 MARYLAND, That the Laws of Maryland read as follows:

13 **Article - Insurance**

14 27-501.

15 ~~(a) (3) AN INSURER MAY NOT CANCEL A PARTICULAR INSURANCE RISK OR~~
 16 ~~CLASS OF RISK IF THE PROVISIONS OF THE POLICY REQUIRE A ONE-TIME DEPOSIT~~
 17 ~~FOR A STATED AMOUNT OF COVERAGE UNLESS:~~

18 ~~(I) THE CANCELLATION IS IN ACCORDANCE WITH THE~~
 19 ~~PROVISIONS OF THIS SUBTITLE; AND~~

20 ~~(II) THE CANCELLATION TAKES EFFECT ON THE ANNIVERSARY~~
 21 ~~DATE OF THE INCEPTION OF THE POLICY.~~

22 (d) (1) With respect to automobile liability insurance, an insurer may not:

23 (i) cancel, refuse to renew, or otherwise terminate coverage for an
 24 automobile insurance risk because of a claim, traffic violation, or traffic accident that
 25 occurred more than 3 years before the effective date of the policy or renewal; or

26 (ii) refuse to underwrite an automobile insurance risk because of a
 27 claim, traffic violation, or traffic accident that occurred more than 3 years before the
 28 date of application.

29 (2) With respect to homeowner's insurance, an insurer may not:

30 (i) cancel, refuse to renew, or otherwise terminate coverage for a
 31 homeowner's insurance risk because of a claim that occurred more than 3 years before
 32 the effective date of the policy or renewal; or

33 (ii) refuse to underwrite a homeowner's insurance risk because of a
 34 claim that occurred more than 3 years before the date of application.

1 (3) AN INSURER MAY CANCEL A POLICY OF HOMEOWNER'S INSURANCE
 2 UNDER WHICH A ONE-TIME GUARANTEED FULLY REFUNDABLE DEPOSIT IS
 3 REQUIRED FOR A STATED AMOUNT OF COVERAGE, IF THE CANCELLATION:

4 (I) TAKES EFFECT ON THE ANNIVERSARY DATE OF THE
 5 INCEPTION OF THE POLICY;

6 (II) IS NOT BASED ON A CLAIM THAT OCCURRED MORE THAN 3
 7 YEARS BEFORE THE ANNIVERSARY DATE OF THE POLICY ON WHICH THE PROPOSED
 8 CANCELLATION WOULD TAKE EFFECT; AND

9 (III) IS OTHERWISE IN ACCORDANCE WITH THIS SUBTITLE.

10 [(3)] (4) [Paragraphs (1) and (2) of this subsection do] THIS
 11 SUBSECTION DOES not apply to a claim involving conviction of the insured or
 12 applicant for fraud or arson.

13 ~~(4) (2) (f) IN THIS PARAGRAPH, "PERPETUAL POLICY" MEANS A POLICY~~
 14 ~~THAT:~~

15 ~~1. REQUIRES A ONE TIME DEPOSIT WITH A GUARANTEED~~
 16 ~~RETURN OF THE DEPOSIT ON TERMINATION OF THE POLICY;~~

17 ~~2. HAS AN EFFECTIVE DATE BUT NO EXPIRATION DATE; AND~~

18 ~~3. HAS A CONSTANT RATE PER THOUSAND FOR ANY~~
 19 ~~INCREASE IN COVERAGE.~~

20 ~~(H) With respect to homeowner's insurance, an insurer may not:~~

21 ~~[(i) 1. cancel, refuse to renew, or otherwise terminate coverage~~
 22 ~~for a homeowner's insurance risk because of a claim that occurred more than 3 years~~
 23 ~~before the effective date of the policy or renewal; [or~~

24 ~~(ii) 2. refuse to underwrite a homeowner's insurance risk~~
 25 ~~because of a claim that occurred more than 3 years before the date of application; OR~~

26 ~~3. CANCEL A PERPETUAL POLICY OF HOMEOWNER'S~~
 27 ~~INSURANCE BECAUSE OF A CLAIM THAT OCCURRED MORE THAN 5 YEARS BEFORE~~
 28 ~~THE EFFECTIVE DATE OF THE PERPETUAL POLICY.~~

29 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
 30 October 1, 2002.

